MINUTES OF THE ANNUAL MEETING
OF THE BOARD OF DIRECTORS OF
AMERICAN AIRLINES, INC.

The annual meeting of the Board of Directors of American Airlines, Inc., was held in the Carlton Suite of the Ritz-Carlton Hotel, New York, New York, on Wednesday, May 21, 1947, at 10:00 o'clock a.m., Eastern Daylight Saving Time, pursuant to due notice to all of the directors of the corporation in accordance with the By-Laws.

There were present at the meeting:

Harold T. Ames
Harry E. Benedict
James Bruce
Edward H. Butler
Charles S. Cheston
Thomas M. Conroy
Ralph S. Damon
John W. Farley
Walter S. McLucas
Edgar M. Queeny
C. R. Smith

being a quorum of the Board of Directors.

Also present at the request of the directors were Messrs. James H. Douglas, Jr. and Malcolm A. MacIntyre of the firm of Douglas, Proctor, MacIntyre & Gates, General Counsel for the corporation.

Directors Carter, Evans, Hammond, Kemp and Mosier were unable to attend the meeting.

The Chairman of the Board presided and the Secretary kept the records of the meeting.
1. On motion duly made and seconded, Mr. Walter S. McLucas was elected temporary Chairman of the meeting to preside until such time as the officers had been elected.

At the request of the temporary Chairman, Mr. Benedict read the report of the proxy committee in respect to the Annual Meeting of Stockholders held on the previous day in Wilmington, Delaware, at which the then directors of the corporation were re-elected and Messrs. Arthur Young & Company elected auditors of the corporation for the ensuing year. A copy of such report is attached as part of the minutes of this meeting.

2. Mr. Damon advised the meeting of the resignation of Mr. Forrest as Vice President and Treasurer, and recommended its acceptance with regret. Upon motion duly made, Mr. Forrest's resignation, effective April 18, 1947, was so accepted.

The temporary Chairman suggested that the election of officers be held, and upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED that the officers of the corporation be and hereby are re-elected to their respective offices on the same terms and conditions as heretofore, except that the salary of Mr. W. H. Miller as Assistant Vice-President shall, effective from the date hereof, be at the annual rate of $17,000 per year; and further

RESOLVED that Mr. William J. Hogan be and hereby is elected Treasurer of the corporation to hold office at the pleasure of the Board of Directors at a salary payable at the annual rate of $20,000 per year.

3. Mr. C. R. Smith, as Chairman of the Board, then took the chair and, at the suggestion of Mr. Damon, invited Mr. Hogan and Mr. Larie, Comptroller and Assistant Treasurer of the corporation, to enter the meeting and meet those present.
4. The Secretary stated that the minutes of the last meeting of the Board of Directors held April 16, 1947, had been mailed to each director and presented a summary of the action taken at such meeting. Thereupon, upon motion duly made and seconded, such minutes were approved.

5. At the request of the Chairman, Mr. Larie explained to the Board the financial statements of American Airlines, Inc. and American Overseas Airlines, Inc. submitted to the meeting and consisting of balance sheets showing the assets and liabilities of the corporation as of March 31, 1947, together with statements of profit and loss thereof for the period commencing January 1, 1947 and ending March 31, 1947, as well as a balance sheet of American Overseas Airlines, Inc. as of February 28, 1947, together with a statement of profit and loss thereof for the period commencing January 1, 1947 and ending February 28, 1947. After discussion, such statements were ordered filed with the records of the meeting.

6. The President presented and explained a statement of capital expenditures authorized by the management since the last meeting of the Board of Directors, each in an amount less than $100,000 and not, therefore, requiring approval of the Board. These amounted in total to $169,143.19 for the corporation and $980.00 for American Airlines de Mexico, S. A. He also reported the sale of the Hotel Bradford in Tulsa, Oklahoma as authorized by the Board of Directors at the meeting held March 19, 1947 and stated that such sale resulted in a net loss to the corporation of $22,510.94 as against an original purchase price of approximately $400,000. He further stated that it would be desirable to ratify the sale of the Hotel Bradford to the Warren Employee Pension Trust. Thereupon, upon motion duly made and seconded it was:
RESOLVED that the action of the officers of the corporation in entering into an agreement dated April 23, 1947 to sell the building known as Hotel Bradford located at 505 South Main Street, Tulsa, Oklahoma to the Warren Employee Pension Trust, for the sum of $400,000 be and the same hereby is ratified and approved.

The President further reported that sales of surplus flight equipment authorized to be sold had been consummated and that such equipment as had been sold for approximately $44,000 had a net depreciated value on the books of $61,000, resulting in a net loss of approximately $17,000. He further reported that it was anticipated there would be further cancellations by the corporation of leases with War Assets Administration covering DC-3 equipment which would involve a loss to the corporation of unamortized improvements in respect thereto which would be insubstantial. He pointed out that there was a continuing program of sales and that the corporation intended to enter into an exclusive agency contract for the disposal of DC-3 flight equipment with Charles Babb, cancelable by either party on reasonable notice.

7. The Chairman then requested a report from the special committee of Messrs. Cheston, Conroy and Kemp appointed at the last meeting to consider the financing program of American Overseas Airlines, Inc., and expressed his appreciation of the time and attention they had devoted to this problem. Messrs. Cheston and Conroy of the committee reported that together with the Chairman and President they had been successful in obtaining assurances from American Export Lines, Inc. that it would participate in such financing upon change in the terms from those previously proposed and that the committee believed that the changes, eliminating the issuance of stock warrants, and providing for the contribution of additional money to American Overseas Airlines, Inc. in the ratio of three-fourths by American Airlines, Inc. and
one-fourth by American Export Lines, Inc., were desirable. At the suggestion of the Chairman, Mr. Douglas was requested to outline the proposed terms of the bank credits which it was anticipated would be made available to American Overseas Airlines, Inc. concurrently with the firm commitment of American Airlines, Inc. and American Export Lines, Inc. as indicated by Mr. Cheston.

Mr. Douglas then explained that although no firm agreement had been executed by American Overseas Airlines, Inc. with the Chase National Bank and the banks proposed to be associated with it in extending credit to American Overseas Airlines, Inc., negotiations had reached a point where terms had been informally agreed to. He stated that in substance the Credit Agreement provided for the extension of a $12,000,000 credit to American Overseas Airlines, Inc. for a period of approximately two years with the option on its part of converting such credit into a term loan of five years from the date of conversion, payable in twenty equal quarterly installments. The proposed credit is predicated upon the acceptance by American Airlines, Inc. of term notes payable not earlier than six months after the bank loans become due, in the amount of $1,500,000, and a loan by American Export Lines, Inc. of $500,000 on the same terms, all such loans to be subordinated to the bank loans. If and to the extent American Overseas Airlines, Inc. should borrow under the credit arrangements in excess of $6,000,000, then American Airlines, Inc. and American Export Lines, Inc. would be obligated to advance, on the same terms, additional funds to American Overseas Airlines, Inc. in the amount of fifty cents for each such additional dollar of bank loans, divided between them in the proportion of seventy-five percent from American Airlines, Inc. and twenty-five percent from American Export Lines, Inc. He submitted to the meeting a form of proposed subordination agreement to be executed by American Airlines, Inc. and American
Export Lines, Inc. simultaneously with the execution of the proposed credit agreement, and pointed out that conditions of the extension of credit, as well as events of default, were that (a) American Overseas Airlines, Inc. shall at all times have a working capital of not less than $4,000,000 or two months' operating expenses, (b) total borrowings shall at no time exceed 75% of its depreciated flight equipment (including parts) as carried on its books, and (c) the company's net worth shall at all times be at least 125% of the outstanding loans and all other borrowings. He pointed out that the term "borrowings" includes contractual obligations for capital expenditures payable before the maturity of the bank loans. He stated that the only open question as between American Airlines, Inc. and American Export Lines, Inc. was the rate of interest to be charged on the subordinated loans to be made by each of them.

After full discussion, on motion duly made and seconded, and with Messrs. Cheston and McLucas not voting, the following resolutions were unanimously adopted:

RESOLVED, that the corporation enter into a Subordination Agreement with The Chase National Bank of the City of New York and certain associated banks, American Overseas Airlines, Inc., and American Export Lines, Inc., providing for the making of loans to American Overseas Airlines, Inc. by the corporation in the maximum amount of $3,750,000, and by American Export Lines, Inc. in the maximum amount of $1,250,000, and for the subordination of such loans to loans to be made to American Overseas Airlines, Inc. by The Chase National Bank of the City of New York and certain associated banks in the maximum amount of $12,000,000, on substantially the terms proposed in a form of Subordination Agreement submitted to this meeting and hereby approved and ordered filed with the minutes hereof, subject, however, to the authority hereby expressly granted to the Chairman of the Board of the corporation to fix the interest rate on the loans to be made by the corporation within a range of 3½% to 4¼, inclusive; and further
RESOLVED, that the President or any Vice President, and the Secretary or an Assistant Secretary, of this corporation, be, and they hereby are, authorized and directed to execute and to deliver, in the name and on behalf of the corporation and under its corporate seal, a Subordination Agreement substantially in the form as submitted to this meeting and filed with the minutes hereof; and further

RESOLVED, that the corporation make loans from time to time to American Overseas Airlines, Inc. as provided in the Subordination Agreement, such loans to be evidenced by Notes of American Overseas Airlines, Inc., in substantially the form attached as an exhibit to the Subordination Agreement, subject to any change which may be made in the interest rate pursuant to the authority hereinabove given; and further

RESOLVED, that the officers of the corporation be, and they hereby are, authorized in the name and on behalf of the corporation to do all such acts and things and to execute and deliver all such instruments and documents as may be necessary or desirable and proper to carry out the purposes of the foregoing resolutions and to effect the performance by the corporation of all its obligations and agreements set forth in the Subordination Agreement.

8. The President then referred to the agreement with respect to Municipal Air Terminals between the City of New York and the Port of New York Authority, dated April 17, 1947. He pointed out that the agreement is dependent upon delivery to the City, on or before May 31, 1947, of consents and releases in substantially the form annexed to the agreement as Schedule F thereof, and that it was recommended by counsel that such consents and releases be delivered conditionally, subject to the express condition that the agreement of April 17, 1947, between the City of New York and the Port of New York Authority, shall become effective as of June 1, 1947. Mr. MacIntyre expressed his opinion that there was considerable doubt as to the enforceability of the leases against the Port of New York Authority after
the proposed assignment, but pointed out that the corporation received many advantages on the transaction in spite of such possible legal objection.

After discussion, on motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the President or a Vice President, and the Secretary or an Assistant Secretary, of this corporation be and they hereby are authorized, in the name and on the behalf of this corporation, to execute and deliver their consent and release in favor of the City of New York and the Port of New York Authority in substantially the form annexed as Schedule F to the agreement with respect to Municipal Air Terminals between the City of New York and the Port of New York Authority dated April 17, 1947 with such changes in the said consent and release as said officers or counsel for the corporation or the New York Airlines Top Committee may deem advisable, the delivery of the said consent and release is made upon an express condition substantially as follows:

This consent and release is delivered conditionally, subject to the express condition that said agreement of April 17, 1947 between the City of New York and the Port of New York Authority shall become effective as of June 1, 1947. If for any reason said agreement shall not become effective as of said date, this consent and release shall be of no force or effect whatever and as though it were never given; and further

RESOLVED, that said officers of this corporation be and they hereby are authorized and empowered, on behalf of the corporation, to do such other acts and things as they and counsel for the corporation or the New York Airlines Top Committee may deem necessary or advisable in connection with the carrying out of any of the matters or purposes set forth in the foregoing resolutions.

9. The Chairman referred to the substantial demands upon the time of directors when serving on special committees such as the special committee which considered the American Overseas Airlines, Inc. financing program, and suggested that compensation might be considered for such special committees to the extend of time devoted to the particular matters for which they might be created.
After discussion, upon motion duly made and seconded, and with Messrs. Conroy and Cheston not voting, the following resolution was unanimously adopted:

RESOLVED, that members of the Board of Directors who comprise special committees appointed by the full Board or by the Chairman of the Board of Directors shall be entitled to such compensation for each full day devoted to the particular matters for which the special committee may be appointed in the amount of not less than $100 and not more than $200, as may be determined with respect to the particular committee by the Chairman of the Board, together with reimbursement of actual expenses.

10. The Chairman then explained to the Board the recent decision of the Civil Aeronautics Board authorizing American Airlines, Inc. to undertake service into San Francisco and affecting its entry into Los Angeles. There was a full discussion with respect to the decision and its effects upon the operation of American Airlines, Inc. The Chairman stated that as a consequence of the decision the corporation had already applied for permission to fly non-stop from Chicago to Los Angeles and was hopeful that such application would be favorably acted upon promptly.

There being no further business to come before the meeting, on motion duly made and seconded, the meeting was adjourned.

APPROVED: C. W. Jacob, Secretary

C. W. Smith, Chairman